

## TARIFF ACTION MEMO

**Date:** February 17, 2022

**Date Filed:** January 11, 2022

**Statutory End Date:** February 25, 2022

**File No:** TA88-406

**Name of Utility:** Norgasco, Inc. (Norgasco)

**Subject:** Gas Cost Adjustment (GCA)

### **Recommendation**

Staff recommends the Commission:

1. Approve Tariff Sheet No. 32.01, filed January 19, 2022, by Norgasco with TA88-406, as shown on the attached side-by-side tariff sheets (Appendix-1). The effective date of the tariff sheets should be January 11, 2022.

Please see attached Staff Memorandum supporting the above recommendation.

Signed: Heather Jesse  
Heather Jesse

Title: Utility Tariff Analyst

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Commission decision regarding this recommendation:

	<u>Date (if different from 2/17/2022)</u>	<u>I Concur</u>	<u>I Do Not Concur</u>	<u>I Will Write A Dissenting Statement*</u>
Pickett	<hr/>	<u>RMP</u> <u>KRL</u>	<hr/>	<hr/>
Kurber	<hr/>	<u>AGS</u> <u>AGS</u>	<hr/>	<hr/>
Scott	<hr/>	<u>DS</u> <u>DS</u>	<hr/>	<hr/>
Sullivan	<hr/>	<u>JW</u> <u>JW</u>	<hr/>	<hr/>
Wilson	<hr/>		<hr/>	<hr/>

\* If this column is initialed, Staff will contact the Commissioner for the statement; otherwise, the dissent will simply be noted at the close of the By Direction letter or order.

## MEMORANDUM

To: Robert M. Pickett, Chairman  
Keith Kurber II  
Antony Scott  
Daniel A. Sullivan  
Janis W. Wilson

Date: February 17, 2022

From: Heather Jesse, Utility Tariff Analyst

Subject: GCA

### Recommendation

The Commission should approve Tariff Sheet No. 32.01, filed January 19, 2022, by Norgasco in TA88-406, as shown on the attached side-by-side tariff sheet (Appendix -1). The effective date of the tariff sheet should be January 11, 2022.

### Background

Norgasco's load is met with gas purchased from Hilcorp North Slope, LLC (Hilcorp) and ConocoPhillips Alaska, Inc. (ConocoPhillips).<sup>1</sup> As shown on Tariff Sheet No. 32.01,<sup>2</sup> Norgasco recovers the related costs primarily through its GCA surcharge.<sup>3</sup>

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<sup>1</sup> The initial term of both contracts expired December 31, 2019. Each contract contains a provision that the term will be automatically extended on a Year to Year basis after December 31, 2019, unless either party provides written notice of intent to terminate. No such notice has been given for either contract, and both remain in effect. See Letter Order No. L1000016, issued July 19, 2010 (TA56-406/TA57-406) and Letter Order No. L1100217, issued June 13, 2011 (TA63-406). Both contracts are included as attachments to Norgasco's tariff advice letter for TA88-406; the extended term provisions are at page 11 of the ConocoPhillips contract and page 8 of the BP contract. Staff notes that BP's certificate was transferred to Hilcorp.

<sup>2</sup> See side-by-side tariff sheet attached as Appendix-1.

<sup>3</sup> See Norgasco Tariff Sheet Nos. 30 and 32.01. As established in its last rate case, Norgasco's base cost of gas is set at \$1.00 per MMBtu, which accounts for the test year gas costs approved for recovery through Norgasco's base rates. See Letter Order No. L0600595, issued September 22, 2006 (TA48-406). The fuel costs not recovered through base rates are recovered through Norgasco's GCA surcharge.

## **Filing**

Norgasco now submits TA88-406, its semi-annual GCA update for the period beginning January 1, 2022. With TA88-406, Norgasco filed Tariff Sheet No. 32.01 and requested the tariff sheet be effective January 11, 2022. Norgasco filed two supplements to TA88-406, one with a revised tariff sheet<sup>4</sup> and the other with an invoice for December 2021.<sup>5</sup>

Proposed revisions to GCA surcharges are reviewed under 3AAC 52.506, which requires information supporting entries in the balancing account for the historical period and support for projections for the future period.<sup>6</sup> Calculation of the GCA consists of two parts. The first part includes a 12-month estimate of MMBtu sales and gas costs.<sup>7</sup> Norgasco submitted supporting documentation for the estimates for the 12-month period beginning January 1, 2022. The second part includes documentation for the actual balancing account entries for July through December 2021 and the balancing account balance as of December 31, 2021. Norgasco provided actual usage, generation, cost, and sales data for the period of June through December 2021, including invoices and spreadsheets supporting the balancing account entries.

## **Notice**

In accordance with historic Commission practice for GCAs, a publication notice was not issued for TA88-406.<sup>8</sup>

## **Discussion/Analysis**

### **GCA Surcharge Increase**

As shown on Tariff Sheet No. 32.01, filed in TA88-406, Norgasco proposes a GCA surcharge of \$2.349/MMBtu, which is an increase from the currently approved GCA surcharge of \$1.613/MMBtu. Table 1 shows the effect of the proposed GCA on a sample customer bill of 2,500/MMBtu of usage.

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<sup>4</sup> See TR2200240 filed January 19, 2022.

<sup>5</sup> See TR2200314, filed January 21, 2022.

<sup>6</sup> See 3 AAC 52.506(g) *Filing Requirements for Gas Utilities*. This support includes invoices, records, reports, calculations, contracts, and any other information the Commission and staff consider necessary to explain the proposed GCA calculation.

<sup>7</sup> See Norgasco Tariff Sheet No. 32.01. Norgasco's 12-month projections are developed by rounding up actual data from the previous year. See also Norgasco Tariff Sheet Nos. 31-32.

<sup>8</sup> One reason the Commission forgoes publication notice for a GCA filing is 3 AAC 52.506(d) which states "[f]or a GCA filing under (b) of this section, a gas utility is not required to give public notice under AS 42.05.411..." This allows a utility to implement a GCA upon filing, rather than waiting the 45 days specified in AS 42.05.411 to ensure adequate notice to the public of a tariff filing.

**TABLE 1**

Sample Customer Billing - 2,500 MMBtu Usage				
<u>Line</u>	<u>Description</u>	<u>Current Charges</u>	<u>Proposed Charges</u>	<u>Change from Current</u>
1	GCA Surcharge (\$/MMBtu)	\$1.613	\$2.3490	\$0.74
<b>2</b>	<b>2,500 MMBtu Customer Bill</b>			
3	Monthly Rate @ \$2.95/MMBtu	\$7,375.00	\$7,375.00	\$0.00
4	GCA Surcharge (\$)	\$4,032.50	\$5,872.50	\$1,840.00
5	RCC @ 0.157%	\$17.91	\$20.80	\$2.89
6	Total Customer Bill	<u>\$11,425.41</u>	<u>\$13,268.30</u>	\$1,842.89

Factors that may affect the calculation of Norgasco's GCA include the previous period's balancing account balance, projected gas costs, and projected MMBtu sales. Changes in these factors frequently offset each other. Any factor that increases the average cost per MMBtu sold will put upward pressure on the GCA surcharge and any factor that decreases the average cost per MMBtu sold will put downward pressure on the surcharge. The proposed increase to Norgasco's GCA is primarily driven by:

- (1) An increase in projected costs for the period. The projected costs increased from \$1,754,430 to \$2,098,722.<sup>9</sup> -This increase in costs places upward pressure on the GCA surcharge.
- (2) An increase in the balancing account balance. The balancing account balance increased from \$16,210 to \$32,020.02.<sup>10</sup> This indicates that Norgasco's actual costs were greater than the revenue collected. This increase places upward pressure on the GCA surcharge.
- (3) A decrease in projected MMBtu sales for the period. The projected MMBtu sales decreased from 677,517 MMBtu to 636,169 MMBtu.<sup>11</sup> This decrease results in the projected costs being spread over a smaller number of MMBtu, placing upward pressure on the GCA surcharge.

The decrease in projected sales places upward pressure on the GCA; this is amplified by the upward pressure from the increase in projected costs and the increase in the balancing account balance. The overall effect is an increase to Norgasco's GCA.

<sup>9</sup> See Tariff Sheet No. 32.01, attached as Appendix 1, at line item 1.

<sup>10</sup> *Id.*, at line item 2a.

<sup>11</sup> *Id.*, at line item 4.

The revisions proposed in TA88-406 did not include a change in methodology or new cost element, and as such, Norgasco implemented the proposed GCA surcharge on January 11, 2022, in accordance with 3 AAC 52.506(b).<sup>12</sup> Staff has reviewed all information and calculations filed in support of the proposed surcharge and verified that Norgasco provided all required information. Staff confirmed that the proposed surcharge was calculated accurately, using Norgasco's approved methodology.

### Tariff Sheet

Staff reviewed Tariff Sheet No. 32.01. Staff notes that Norgasco filed a revised Tariff Sheet No. 32.01 on January 19, 2022, to correct a typographical error. Staff has verified the proposed surcharge was calculated accurately using Norgasco's approved methodology, the proper support was filed, and the tariff sheet is correct.

### **Conclusion**

With TA88-406, Norgasco requests approval of its revised GCA for the period beginning January 1, 2022. Based on the discussion above, Staff recommends the Commission approve Tariff Sheet No. 32.01, filed January 19, 2021, by Norgasco in TA88-406. The effective date of the tariff sheet should be January 11, 2022.

**Signature:** 

**Email:** bob.pickett@alaska.gov

**Signature:**   
Keith Kurber II (Feb 17, 2022 08:58 AKST)

**Email:** keith.kurber@alaska.gov

**Signature:** 

**Email:** antony.scott@alaska.gov

**Signature:**   
Daniel Sullivan (Feb 17, 2022 11:23 AKST)

**Email:** daniel.sullivan@alaska.gov

**Signature:**   
Janis W. Wilson (Feb 17, 2022 13:33 AKST)

**Email:** janis.wilson@alaska.gov

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<sup>12</sup> 3 AAC 52.506(b) states that a gas utility may implement a GCA filing that does not include a new methodology or cost element immediately upon filing with the Commission, although the GCA filing is subject to subsequent review, adjustment, and approval by the Commission.

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AUG 09 2021

RCA No. 406 56 Revised

Canceling

55 Revised

Sheet No. 32.01 STATE OF ALASKA  
REGULATORY COMMISSION OF ALASKA

Sheet No. 32.01

NORGASCO, INC.

e. Determination of Gas Cost Adjustment

(1) Estimated cost for twelve months beginning July 1 ,2021	\$1,754,430	
(2a) Gas Cost Adjustment balance account as of June 30,2021	16,210	
(3) Total of (1) and (2) above	\$1,770,640	
(4) Estimated Retail Sales	677,517MMBtu	
(5) Average Cost of Gas [(3) divided by (4)]	\$ 2.613MMBtu	
(6) Base Cost of Gas	\$ 1.00MMBtu	
(7) Gas Cost Adjustment [(5) minus (6)]	\$1.613MMBtu	R

Tariff Advice No. 87

Effective: August 6, 2021

Issued by: NORGASCO, INC.

By: Bret Bartholomy

Title: VP of Finance

RCA No. 406 57 Revised

Canceling

56 Revised

Sheet No. 32.01

Sheet No. 32.01

NORGASCO, INC.

e. Determination of Gas Cost Adjustment

(1) Estimated cost for twelve months beginning January 1 ,2022	\$2,098,722	
(2a) Gas Cost Adjustment balance account as of December 31,2021	32,020.02	
(3) Total of (1) and (2) above	\$2,130,742	
(4) Estimated Retail Sales	636,169MMBtu	
(5) Average Cost of Gas [(3) divided by (4)]	\$ 3.349MMBtu	
(6) Base Cost of Gas	\$ 1.00MMBtu	
(7) Gas Cost Adjustment [(5) minus (6)]	\$2.349MMBtu	I

Tariff Advice No. 88

Effective: January 11, 2022

Issued by: NORGASCO, INC.

By: Bret Bartholomy

Title: VP of Finance

